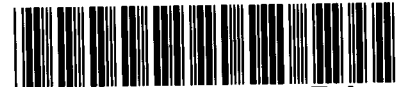


WS-01303A-14-0010



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ARIZONA CORPORATION COMMIS  
UTILITY COMPLAINT FORM

Investigator: Richard Martinez

Phone: (

Fax:

Priority: Respond Within Five Days

Opinion No. 2014 - 116828

Date: 6/27/2014

Complaint Description: 08A Rate Case Items - Opposed  
N/A Not Applicable

ORIGINAL

Complaint By: First: Daniel J. Last: McHugh

Account Name: Daniel J. McHugh

Home:

Street:

Work:

City: Fort Mohave

CBR:

State: AZ Zip: 86426

is: E-Mail

Utility Company: EPCOR Sewer \*AAWC

Division: sewer

Contact Name:

Contact Phone:

Nature of Complaint:

DOCKET WS-01303A-14-0010

Arizona Corporation Commission

DOCKETED

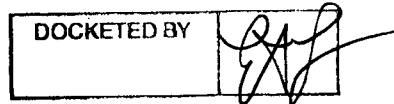
DANIEL J. MCHUGH

Fort Mohave, AZ 86426 /

JUN 27 2014

EMAIL MEMORANDUM

June 21, 2014



RECEIVED  
2014 JUN 21 P 2:51  
CORP COMMISSION  
DOCKET CONTROL

To: Arizona Corporation Commissioners:  
Bob Stump - Chairman  
Gary Peirce  
Brenda Burns  
Bob Burns  
Susan Bitter Smith

Fm: Dan McHugh - Customer of EPCOR  
Mohave Wastewater District-Wishing Well Wastewater Facility  
Fort Mohave, Arizona

Re: EPCOR'S APPLICATION FOR RATE INCREASE DOCKET WS-01303A-14-0010

Dear Commissioners:

1. I respectfully request that you deny EPCOR WATER ARIZONA INC.'S (EWAZ) request for an order establishing the fair value of its plant and property used for the wastewater utility service known as Mohave

# ARIZONA CORPORATION COMMISSION

## UTILITY COMPLAINT FORM

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Wastewater District (Wishing Well).

2. I respectfully request that you deny EPCOR WATER ARIZONA INC'S request for any rate increase, permanent or temporary, and any other charges for utility service designed to produce a, so called, fair return thereon for its Mohave Wastewater District.

3. I respectfully request that EPCOR.-WATER ARIZONA INC. be required to send a full disclosure report to every customer of Mohave Wastewater District, with all details of their purchase of the this facility. The report to include the breakdown of their "Adjusted Fair Value Rate Base" found on page 3, line 23 of their Application filed in this matter referenced above.

4. I respectfully request that EPCOR WATER ARIZONA INC. be required to dispose of the wastewater utility known as Mohave Wastewater District through a sale to a company that has many wastewater facilities, in order to add more users to bring the average user rates to a reasonable level.

5. I respectfully request that this application be sent back to EPCOR WATER ARIZONA INC. to start over and present accurate financial data. Discussion to follow on inaccurate data presented on page 4, line 4 of their application.

### DISCUSSION:

EWAZ represents the proposition that the rate of return of their request is based on the "Adjusted Fair Value Rate Base" (AFVRB), but provides no detail as to what makes up that \$5,250,928 for the wastewater facility. They have said that they are statutorily entitled to a rate that is a ten (10%) percent return on this AFVRB. While that may be the standard that you use and is generally accepted, the base makeup should be disclosed to all those affected. It seems reasonable for your commission to deny their request for an "order" that this AFVRB be formally established by your commission.

Nowhere, that I have seen has EWAZ disclosed how the original purchase of many utility facilities that were bundled and the costs allocated in their first application in 2009 or in this application. Even if it was used in 2009, I don't recall it; EWAZ needs to show it along with the details explaining "Adjusted" in the AFVRB found on page 3 of the application line 16. It might explain why they are quick to agree in the application on page 3 lines 3 and 4 about the original cost rate base.

I have spent substantial time on the two charts presented in the application. One is paragraph 7 on page 3 and the other is paragraph 10 on page 4 that I would like the commission to look at more closely. Turning first to paragraph 7 on page 3 line 23 that relates specifically to Mohave Wastewater.

The "Rate of Return" (ROR) of 1.5% times the amount of the AFVRB of \$5,250,928 does equal the "Adjusted Operating Income (Loss)" (P&L) of \$78,532. The ROR becomes 10.4% with the requested increase of \$467,806 (see page 4 of the application line 13). EWAZ on page 4 lines 4 & 5 relates their overall final ROR as 6.87%.

Here's the calculation:

$(\text{Profits } \$78,532 + \$467,806) / \$5,250,928 = 10.4\% \text{ return on base}$

1. The ROR goes up 693% (1.4956% to 10.405%).
2. The ROR goes up greater than 10%.
3. The presentation by EWAZ of 6.87% has no bearing on Wastewater.
4. If you follow the logic of EWAZ that averages are worked out across the board for water and wastewater, then the rate for Mohave Wastewater customers would drop by almost \$30 per month, per customer (that is a rough estimate, because all the details are not known about Sun City's revenues and costs). That would reduce the current rate of \$56.67 per month, per customer to closer to the market rate that other facilities are charging.

**ARIZONA CORPORATION COMMISSION**  
**UTILITY COMPLAINT FORM**

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The bottom line is this increase is ridiculous and the request for any increase should be denied, as it should have been in 2009.

Here's some more numbers to look at closely:

Current monthly rates are \$56.67 per customer. EWAZ is asking for \$26.92 more per customer taking the rate to \$83.59 per month. That's a rate increase of 47.5%, while other utility companies providing similar services are paying less than \$30 per month.

EWAZ wants to increase their profits of \$78,532 to \$546,338 on the backs of 1,448 customers. I am a retired businessman, and when I need money to operate my business or expand my business I go to the bank and borrow the funds, I don't raise my prices to recover the full amount from the current customers. I spread it over the future customers as business grows. Like any business utility companies have to manage better. I sincerely ask you to deny this entire application request.

One last comment, just so I can say it becomes part of the record.

The Mohave Wishing Well Facility in Fort Mohave leaks fumes that permeate the air for all those that live in a two to three square block area. People in this area, including myself, have complained for ten (10) years with minimal response. These folks at EWAZ bought the facilities in this condition and give us a deaf ear. Now they don't want to hear from us in this matter. Go figure! It really is a crappy situation we customers are in.

Respectfully,

Daniel J. McHugh  
\*End of Complaint\*

**Utilities' Response:**

**Investigator's Comments and Disposition:**

6/27

Emailed to the Phoenix ACC office for docketing.

FILE CLOSED.

\*End of Comments\*

**Date Completed:** 6/27/2014

**Opinion No.** 2014 - 116828

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